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CONFIDENTIAL

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EUROPE

1. YUGOSLAVIA: Tito extends period of military service--
US Ambassador Allen in Belgrade reports that during his recent conversation with Marshal Tito, the Marshal remarked that he had extended the period of military service in order to keep more men under arms and that no publicity would be given to the matter. The Yugoslav Premier commented that keeping more men under arms increased his need for food supplies for the army; Allen expressed the opinion that assistance from the Mutual Defense Assistance Program would, therefore, seem "even more appropriate," and Tito agreed.

NEAR EAST-AFRICA

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2. KASHMIR: India favors direct talks with Pakistan--US Ambassador Henderson in New Delhi has been informed by Secretary General Bajpai of the Indian External Affairs Ministry that India favors UN Mediator Sir Owen Dixon's suggestion of direct conversations between India and Pakistan as the "next step" in UN efforts to settle the Kashmir dispute. Bajpai, who expressed the belief that the suggested "small power commission" on Kashmir would be ineffective, stated that direct conversations between India and Pakistan might take place at Lake Success with the SC and interested powers represented.

(CIA Comment: In view of the fact that India occupies the bulk of Kashmir and would hold the whip hand in any direct negotiations with Pakistan, India would naturally favor the Dixon suggestion as an alternative to the establishment of new UN machinery.)

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3. CHINA: "Intervention" in Korea--

[redacted] during an August conference of top Sino-Soviet leaders, the decision was made for Communist China to "participate in the Korean war." [redacted] the formal decision was made on 24 October at a meeting presided over by Chinese Premier Mao Tse-tung. [redacted]

[redacted] twenty Chinese Communist armies are now in Manchuria (the strength of a Chinese Communist army ranges from 20-30,000); included in these twenty armies are eight armies of the Fourth Field Army as well as elements of the other three Field Armies of the Chinese Communist forces.

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[redacted] indicate considerable troop movement from China proper into south Manchuria during October. [redacted] Mukden is under martial law and a state of war emergency exists with air raid precautions and other defense preparations under way. Factories in Mukden and Antung are being dismantled and moved north. Twenty jet fighters of unknown nationality have appeared over Mukden. The city is said to be in a state of panic, with many Communist officials and residents moving north. "Large numbers" of Russian troops, both in and out of uniform, have arrived, as well as materiel, including self-propelled guns and naval mines.

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(CIA Comment: Major units of the Chinese Communist Fourth Field Army have been moving to Manchuria for several months. Although elements of the other three Field Armies could be moving north, there is no confirmation that units of these

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T O P S E C R E T

Field Armies are in Manchuria. There is no confirmation that a high-level Sino-Soviet conference decided that Communist China should intervene in Korea, but it is quite possible that the Peiping regime decided to increase its support and assistance to the North Koreans. Such a decision could logically lead to large-scale defensive preparations by the Chinese Communists in anticipation of possible UN retaliation for this increased military assistance. On the basis of available evidence, CIA continues to believe that Chinese Communist participation in the Korean conflict will be limited to defense of the Manchurian border and that open large-scale intervention by Communist China is not likely.)

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